

DRAFT**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA****Telecommunications Division
Public Program Branch****RESOLUTION T-16663
Date: August 22, 2002****RESOLUTION**

RESOLUTION NO. T-16663. TO ESTABLISH THE DEAF AND DISABLED TELECOMMUNICATIONS EQUIPMENT AND SERVICE PROGRAMS (PUBLIC UTILITIES CODE SECTION 2881, ET SEQ.) 2002-2003 BUDGET PURSUANT TO DECISION NO. 89-05-060.

BY COMPLIANCE FILING MADE BY THE DEAF AND DISABLED TELECOMMUNICATIONS PROGRAM ADMINISTRATIVE COMMITTEE (DDTPAC) ON SEPTEMBER 6, 2001.

SUMMARY

This resolution recommends an annual budget of \$56,499,100 for the Deaf and Disabled Telecommunications Equipment and Service Programs (DDTP), pursuant to Public Utilities (PU) Code Section 2881, et seq. In addition, because of an increase in the telecommunications billing base, this resolution recommends that the surcharge be decreased from its current rate of 0.48% to 0.29% beginning on October 1, 2002.

The Deaf and Disabled Telecommunications Program Administrative Committee (DDTPAC) submitted its proposed 2002-2003 budget of \$71,451,252 on September 6, 2001. The DDTPAC proposed to increase its marketing and outreach efforts in 2003 in order to reach more consumers who are eligible for the DDTP's programs and services. In addition, the DDTPAC requested two additional Walk-In Service Centers, one to be located in the Los Angeles area and one in Northern California. As a result of the increased marketing and outreach efforts and the two additional service centers, the DDTPAC proposed hiring nine new employees: two outreach specialists, a marketing projects coordinator, three customer advisors, two field advisors, and a customer advisor supervisor. The DDTPAC proposed 2002-2003 budget was submitted prior to Commission approval of the 2001 and January through June 2002 budgets.

For the 2002-2003 budget, TD recommends maintaining approximately the same administrative expenses as those approved in the January through June 2002 budget. Aside from two new positions: a California Relay Service (CRS) contract administrator and a marketing projects coordinator, TD recommends maintaining the same staffing expenses as those in the January through June 2002 budget. In response to a prior

management audit of the DDTP, TD recommends increasing marketing and outreach efforts to include a campaign that will (1) advertise the walk-in centers that became or will become operational in 2002, (2) educate consumers on the future CRS structure and (3) promote the equipment program. TD also recommends increases in equipment purchases for the two equipment programs (Senate Bill (SB) 597 and SB 60) due to the anticipated growth in equipment distribution resulting from the walk-in centers established in 2002.

TD understands the DDTPAC request to open two walk-in centers in addition to the seven previously approved centers. At this time, TD recommends waiting until the previously approved centers are operational before opening any additional centers. Once the seven centers have been operational for at least six months, the staff of the DDTP can collect operational statistics and use them to determine the need and location of additional centers.

In addition to the 2002-2003 budget, this resolution addresses the recommendations from the Bureau of State Audits' report, "Deaf and Disabled Telecommunications Program: Insufficient Monitoring of Surcharge Revenues Combined With Imprudent Use of Public Funds Leave Less Money Available for Program Services."

As requested by the DDTP in its comments to Resolution T-16627, TD has adopted the "View 1 and View 2" budget summaries, which show the allocation of the categories of "Department/Administrative Expenses" to SB 597, SB 60 and SB 244. These "views" are attached as Appendix A: View 1, Appendix A: View 2(a) and Appendix A: View 2(b).

BACKGROUND

In compliance with state legislation (P.U. Code Section 2881, *et seq.*) the Commission implemented three telecommunications programs for California residents who are deaf, hearing impaired or otherwise disabled. The bill number of the enabling legislation commonly identifies these programs. SB 597 (P.U. Code Section 2881(a)) authorizes the provision of TTYs to deaf or hard-of-hearing individuals. SB 60 (P.U. Code Section 2881(c)) authorizes provision of other specialized telecommunications equipment to consumers with hearing, vision, mobility, speech and cognitive disabilities. This equipment includes amplifiers, speakerphones, and cordless phones. The third program, established by SB 244 (P.U. Code Section 2881(b)), is the CRS which uses third-party intervention to connect individuals who are deaf or hearing impaired as well as offices of organizations representing the deaf or hearing impaired with hearing parties.

The Commission retains overall responsibility for the quality of services delivered by these programs, for reaching Californians who need the services offered, and for

ensuring prudent management of these funds. The DDTPAC serves as an agent of the Commission to implement the three statutory programs and as a liaison to the deaf and disabled communities. The DDTPAC Consolidated Budget funds all these programs. Decision (D.) 89-05-060 (I. 87-11-031) established that the annual budget should be submitted to the Executive Director and adopted by a Commission resolution.

DISCUSSION

DDTPAC 2002-2003 Budget Submission

The DDTPAC submitted its 2002-2003 budget during a financially difficult year. From January through August 2001, the surcharge rate for the DDTP was 0%. The Commission adopted Resolution T-16504, authorizing the Executive Director, when the enabling legislation becomes effective, to notify the telecommunication carriers subject to the DDTP surcharges of the date by which they should file advice letters and revised tariff schedules reflecting the adopted surcharge rate of 0.48% for the DDTP. Assembly Bill 219, signed by Governor Gray Davis on July 28, 2001, reinstated the authority of the Commission to impose and collect surcharges for the DDTP. On August 7, 2001, the Director of the Telecommunications Division sent a letter to the appropriate carriers informing them to file, no later than August 20, 2001, the advice letter with revised tariff schedules reflecting a DDTP surcharge rate of 0.48% beginning September 1, 2001. Revenues from the reinstated surcharge were not deposited into the DEAF Trust until November 2001.

During the first nine months of 2001, the DDTP operated using reserve funds. By September 2001, the DDTP had exhausted those funds. Through Resolution T-16565, the Commission authorized the Executive Director to transfer \$15 million from the California High Cost Fund-B, in the form of a loan, to the DDTP Trust. The DDTP repaid the \$15 million loan in full with interest in April 2002. The 2002-2003 budget submitted by the DDTPAC did not take these difficulties into account.

Furthermore, the 2002-2003 budget was submitted prior to Commission approval of the 2001 and January through June 2002 budgets. Without approval of these two budgets, the DDTPAC did not know the direction that the Commission was taking in regard to budget estimates for the DDTP. In order to provide a budget based on current statistics and information, the DDTP staff developed revised budget estimates. In March 2002, the DDTP staff provided a revised budget totaling \$57.7 million for Commission approval. The 2002-2003 budget recommended by TD is based upon the DDTP March 2002 revised budget estimates.

Receipts

For the 2002-2003 budget TD used a billing base of \$19 billion and a revised surcharge rate of 0.29% beginning on October 1, 2002 to estimate surcharge revenues of \$61.11 million. Because the DDTP program funds are scheduled to be transferred to the state treasury on July 1, 2003¹, TD recommends maintaining assets in an easily liquidated form. Therefore any accrued interest from the funds will be minimal.

2002-2003 Recommended Budget

There are two highlights of the 2002-2003 budget: 1) an increase in marketing and outreach efforts, which will be discussed in the marketing and outreach section of this budget resolution and 2) the increased number of walk-in centers. In the budget year 2002-2003, the number of operational walk-in centers will increase from five to seven. Current walk-in centers are located in Sacramento, Fresno, Riverside, Santa Ana and San Diego. The latter two opened in early 2002. The DDTP anticipates the opening of an Oakland center by late summer 2002. In Resolution T-16622, the Commission approved an additional Southern California walk-in center. The timeline for this center has not been finalized, but the DDTP anticipates it to be operational by the end of 2002.

Data collected by the DDTP shows that in 2001, the DDTP served an average of 533 customers per month at the three operational walk-in centers. The Sacramento center served 2,882 customers in 2001, an average of 240 customers per month. In 2001, the Riverside center served 1,701 customers and the Fresno center served 1,808 customers, averaging 142 and 151 customers per month respectively. Using these statistics, TD anticipates that the Santa Ana, San Diego and additional Southern California centers will serve approximately 142 customers each per month. Given the density of the San Francisco Bay area, TD anticipates that the Oakland center will operate on the level of the Sacramento center and estimates that it will serve approximately 240 customers per month. Once the four newest centers are all in operation, TD anticipates an additional 646 customers each month. This will more than double the number of walk-in center customers served in 2002-2003 as compared to the walk-in center customers served during 2001.

Telecom Expenses

Doubling the current number of customers served by the walk-in centers directly impacts the two equipment programs (SB 597 and SB 60). In the year 2001, the three existing centers provided 2,659 new customers with new equipment. Additionally,

¹ Public Utilities Code Section 270.1(g) and 278.(b) require that, on July 1, 2003, funds in the Deaf Equipment Acquisition Fund (DEAF) Trust revert to the Controller for deposit in the Deaf and Disabled Telecommunications Program Administrative Committee Fund in the State Treasury.

2,101 existing customers exchanged equipment and 54 existing customers added new equipment. During the year 2001, equipment leased through the Sacramento, Riverside, and Fresno walk-in centers accounted for approximately 8.5% of SB 60 equipment purchases and 6.8% of SB 597 equipment purchases.

SB 597—PU Code Section 2881(a)

Telecommunication Devices for the Deaf and Hearing-Impaired

In September 2001, the DDTPAC requested \$3.99 million for SB 597 in the 2002-2003 budget. The DDTP staff provided current estimates of \$2.89 million for SB 597 expenses.

Of all of the expenses in this budget category, equipment purchases represent approximately 70% of the SB 597 budget. In the year 2000, SB 597 actual equipment purchases of \$1.696 million exceeded the 2000 budget amount of \$1.572 million by 7%. The 2001 budget allotted \$1.406 million for equipment purchases. Actual 2001 equipment purchases for SB 597 equaled approximately \$1 million. The Commission approved \$800,000 for equipment purchases in the January through June 2002 budget. TD estimates that the walk-in centers opened after January 1, 2002 will increase SB 597 equipment purchases by 9.06%. Based on past equipment purchases and anticipated increases, TD recommends \$1,745,000 for SB 597 equipment purchases.

After including an additional \$297,800 for tariffed services, maintenance and repairs, and small miscellaneous expenses for SB 597, TD recommends total expenses of \$2,042,800 for SB 597 in the 2002-2003 budget.

SB 60—PU Code Section 2881(c)

Specialized Communication Equipment for the Disabled

In September 2001, the DDTPAC requested \$9.93 million for SB 60 in the 2002-2003 budget. The DDTP staff provided current estimates of \$6.33 million for SB 60 expenses.

Equipment purchases represent approximately 65% of the SB 60 budget. In the year 2000, the DDTP spent \$6.62 million for equipment purchases. In the year 2001, the DDTP spent \$3.364 million for equipment purchases. TD estimates that the new walk-in centers will increase SB 60 equipment purchases by 11.33%. Based on past equipment purchases and anticipated increases, TD recommends \$5,989,600 for equipment purchases for the 2002-2003 budget.

After including an additional \$1.44 million for tariffed services, maintenance and repairs and smaller miscellaneous expenses for SB 60, TD recommends total expenses of \$7,434,600 for SB 60 in the 2002-2003 budget.

SB 244—PU Code Section 2881(b)

The California Relay Service

In September 2001, the DDTPAC requested \$29.2 million for SB 244 in the 2002-2003 budget. The DDTP staff provided current estimates of \$29.20 million for SB 244. Of that amount, DDTP staff estimated expenses of \$27.66 million for the CRS program and \$1.5 million for the STS program.

In analyzing the CRS budget, TD reviewed the historical billed minutes over the last two years. In the year 2000, the average number of billed minutes per month equaled approximately 1.68 million. In the year 2001, the average number of billed minutes per month equaled approximately 1.61 million. This represents a decline in CRS usage. It is unclear at this time whether the decline is due to decreased marketing and outreach to users in 2001, increased internet usage or some other unknown cause. TD recommends maintaining 2000 expense levels until DDTP staff ascertains further information on this issue. Based on the billed minutes during the year 2000 and the current rate of \$1.35 per billable minute, TD estimates expenses of \$27,194,600 for the CRS 2002-2003 budget.

In comparing the STS budgeted amount for 2002-2003 with the expenses in the years 2000 and 2001, TD assumed all calls to be intrastate at a constant reimbursed rate for the given year. In the year 2000, the DDTP had a budget of \$1.52 million for STS and spent \$1.35 million. Customers used approximately 365,100 session minutes. In the year 2001, the DDTP had a budget of \$1.1 million and spent \$1.11 million. Customers used approximately 410,000 session minutes during 2001. Based on the historical usages, TD estimates consumers will use approximately 456,000 session minutes. Using the current rate of \$2.70 per session minute, TD recommends \$1,238,700 for the STS program in the 2002-2003 budget.

TD recommends total expenses of \$28,433,300 for SB 244 programs in the 2002-2003 budget.

Other Non-Administrative Expenses

TD notes that in reviewing budgeted and actual personnel expenses for 2001 and the first few months of 2002, some non-administrative positions have not been filled. TD acknowledges that the DDTP did not hire for several positions due to the financial situation in 2001. However, the Commission approved budgeting for the hiring of the remaining positions in the January through June 2002 budget. TD questions if the unfilled positions are necessary. TD recommends that approved positions not filled by December 31, 2002 be abolished unless the DDTP can provide justification for the vacancy.

Equipment Program

In September 2001, the DDTPAC requested \$2.26 million for the equipment program in the 2002-2003 budget. The DDTP staff provided current estimates of \$2.25 million in expenses for the equipment program.

The 2001 budget allocated \$850,000 for distribution contract labor, \$800,000 for freight charges, and \$95,000 for warehouse rent. The DDTP spent approximately \$813,300 for distribution contract labor, \$720,300 for freight charges and \$95,681 for warehouse rent. Based on historical expenses, for the 2002-2003 budget TD estimates \$850,000 for distribution contract labor, \$800,000 for freight charges; which takes into account possible increases from the vendor for a rise in gasoline prices, and, because of a contract increase, \$132,000 for warehouse rent.

TD estimates 2002-2003 personnel expenses of \$259,000; which are parallel with approved personnel expenses in the January through June 2002 budget. After including miscellaneous supplies such as mailing boxes and labels, TD recommends total expenses of \$2,178,300 for the equipment program for the 2002-2003 budget.

Field Operations

In September 2001, the DDTPAC requested \$3.64 million for field operations in the 2002-2003 budget. The DDTP staff provided current estimates of \$3.064 million in expenses for field operations.

This budget category includes the operational costs of the seven walk-in centers. In the year 2000, the Commission approved the centralization of some functions previously done by the telecommunications carriers including operating five Accessibility Resource Centers and one Special Needs Center. In the 2000 and 2001 budgets, the Commission approved the opening and operational expenses of six walk-in centers. The DDTP received approval and funding for an additional walk-in center in the January through June 2002 budget. Difficulties surrounding building and lease approval delayed the opening of the Santa Ana and San Diego centers until early 2002. The Oakland site encountered the same delays. TD anticipates all seven centers to be operational by the end of 2002.

Because funding for the operations and staffing of the seven centers have been included in prior budgets, TD recommends increases in this budget category to account for lease increases and supplies for the new centers. The January through June 2002 estimated amount for field operations equals approximately \$2.735 million, when annualized. For the 2002-2003 budget, TD recommends an estimate of \$2,840,600 for field operations expenses.

Customer Contact

In September 2001, the DDTPAC requested \$11.23 million for the customer contact budget category in the 2002-2003 budget. The DDTP staff provided current estimates of \$7,484,600 for the customer contact budget category. Both the DDTPAC and the DDTP estimate include requests of \$565,000 for a new database system and \$592,300 for a new document management system. The DDTP staff asserts a twofold need for a new database system: 1) the current system is outdated and 2) the current contractor refuses to maintain an outdated system. Neither the DDTPAC nor the DDTP staff provided any justification for a new document management system.

The customer contact budget category primarily covers the costs for the call center. New call center service contract rates for 2002 include a guarantee of 100,000 minutes and a \$.01 increase in the per minute charge for guaranteed minutes for July 2002 – December 2002. Beginning in January 2003, the number of guaranteed minutes increases to 110,000 and the per minute charge increases another \$.09 to \$4.70 per minute. In reviewing the number of minutes used per month, usage is below that of the guaranteed minutes. Based on the cost for the guaranteed minutes, TD estimates \$5,862,000 for call center contract charges and \$198,300 for contract projects.

TD agrees with the DDTP staff's request for a new database system for the California Telephone Access Program and recommends an estimate of \$500,000 for the hardware and software required for a new database system. TD recommends that the DDTP staff begin a competitive bidding process for the new database system. Subsequent to the submission of the DDTPAC budget, DDTP has contracted with Riptide Services to continue to provide maintenance and support for the current and future database. The maintenance and support provided by Riptide decreases the cost in the original estimate of the new database system. At this time, TD does not recommend the DDTP staff request for a document management system due to a lack of justification.

Included in this budget category are personnel costs. TD estimates personnel costs of \$187,900, which are equal to the January through June 2002 budget, when annualized.

TD recommends a total of \$6,954,200 for customer contact expenses in the 2002-2003 budget.

CRS

In September 2001, the DDTPAC requested \$211,500 for the CRS category in the 2002-2003 budget. The DDTP staff provided a current estimate of \$499,700 for the CRS budget category in the 2002-2003 budget.

In 2001, expenses of \$77,400 for items in this category were listed in the office administration category. In the January through June 2002 budget, the DDTP and the Commission created a separate CRS budget category estimated at \$77,645. For the 2002-2003 budget, the major increase in this category comes from reclassifying the consultant costs for the CRS project from the office administration category. This, in effect, moved \$318,600 from the office administration category to the CRS category for the 2002-2003 budget.

In July 2003, the DDTP anticipates the implementation of a new CRS structure. The major change in this structure will be the increase in the number of service vendors from two to a maximum of six. In light of these changes, DDTP requested the approval to hire a new CRS contract administrator with an annual salary of \$54,800. After review of the duty statement and salary, TD recommends approval of the new position to begin in January 2003. The January start date will provide time for the new contract administrator to become acquainted with the new CRS structure prior to its anticipated launch date of July 1, 2003.

TD recommends total expenses of \$499,700 for the CRS budget category in the 2002-2003 budget.

Marketing & Outreach

In September 2001, the DDTPAC requested \$7.14 million for marketing and outreach in the 2002-2003 budget. The DDTP staff provided current estimates of \$3.411 million for the 2002-2003 budget, which includes \$1.386 million for outreach and \$2.025 million for marketing materials.

The DDTP's marketing plan for 2002-2003 focuses on promoting the equipment program and educating consumers on the new CRS structure. See Appendix B column C for a table of proposed expenses.

TD agrees with the DDTP's marketing plan and recommends an increase in the marketing and outreach budget that will 1) respond to a previous management audit recommending increases in outreach, 2) promote the equipment program, 3) promote the walk-in centers that opened after January 1, 2002 and 4) educate consumers on the new CRS structure.

TD reviewed the DDTP's marketing outline and compared it with prior years' budgets and actual expenditures. TD is concerned that funds spent on promoting the programs are not providing results. For example, TD reviewed 7-1-1 calls before, during and after the 7-1-1 promotional campaign and found no significant increases in 7-1-1 usage for those regions where the 7-1-1 promotion took place. TD recommends that the DDTP take smaller steps to promote the programs, study the

results of the individual programs, and then focus its funding on the advertising media providing measurable results. TD recommends that the DDTP include a report on its marketing efforts and results in subsequent budget submissions.

In the January through June 2002 six-month budget, the DDTP requested that TD review a request of \$105,000 for television advertising. In Resolution T-16627, TD agreed to review that request. In the 2002-2003 budget, TD recommends that the DDTP use \$105,000 for television advertisements. TD also recommends that, following the televising of the advertisements, the DDTP review data to determine whether the advertisements increased program usage and provide an analysis of that data to TD.

TD estimates a total of \$1.753 million for marketing materials. See Appendix B column D for a table of estimated expenses. Of the \$1.753 million, approximately 50% should be used toward promoting the equipment program and the new walk-in centers, 25% should be used toward the general program, and 25% should be used, beginning in January 2003, to educate consumers on the new CRS structure.

To assist in the development and submission of the marketing reports and other marketing activities, TD recommends the hiring of a full time marketing project coordinator to provide analysis, support and technical assistance regarding specific marketing and outreach initiatives. Other than the new marketing project coordinator salary and benefits, TD estimates no additional personnel cost increases over the January through June 2002 budget of \$1.05 million. TD estimates total personnel costs for the 2002-2003 budget to be approximately \$1.11 million. TD estimates other direct expenses at \$247,000, which remain even with January through June 2002 expenses. These expenses include costs for communication assistants, travel, vehicle leasing, supplies, and training. TD estimates total outreach costs to be \$1.359 million.

TD recommends \$3,112,100 (\$1,753,000 for materials and \$1,359,100 for outreach) for the marketing and outreach budget category in the 2002-2003 budget.

Administrative Expenses

As with the non-administrative expenses, TD notes that in reviewing budgeted and actual personnel expenses for 2001 and the first few months of 2002, some administrative positions have not been filled. Again, TD acknowledges that the DDTP did not hire for several positions due to the financial situation in 2001. However, the Commission approved budgeting for the hiring of the remaining positions in the January through June 2002 budget. TD questions if these positions are necessary and recommends that approved positions not filled by December 31, 2002 be abolished unless the DDTP can provide justification for the vacancy.

Trust Administration

In September 2001, the DDTPAC requested \$883,319 for Trust Administration in the 2002-2003 budget. The DDTP staff provided current estimates of \$521,200 for trust administration in the 2002-2003 budget.

Actual expenses in 2001 expenses equaled \$802,188 but included \$494,500 for consultant expenses. After reallocating \$318,600 to the CRS category for consultant fees, the DDTP estimated the following expenses in this budget category: 1) \$216,200 for communication assistants, 2) \$90,000 for auditing/accounting expenses, 3) \$55,000 for financial advisor and trustee fees, 4) \$60,00 for non-CRS consultant fees, and 5) \$100,000 for legal expenses.

Consistent with current Commission practice, TD recommends that the DDTP first consult with the Commission's Legal Division for legal advice. If it is determined that the Commission Counsel does not possess the expertise to resolve program legal issues, the DDTP can then consult external legal assistance within a budget of \$70,000.

After reviewing the actual 2001 expenses for this budget category, TD estimated the following expenses for other trust administration expenses 1) \$180,600 for communication assistants, 2) \$590,000 for auditing/accounting expenses; which includes a \$500,000 estimate specifically for a program compliance audit and financial audit as required by PU Code Section 274, 3) \$55,000 for financial advisor and trustee fees, and 4) \$60,000 for non-CRS consultant fees.

TD recommends total expenses of \$955,600 for trust administration in the 2002-2003 budget.

Committee Expenses

The DDTPAC requested a total of \$291,267 for committee expenses in the 2002-2003 budget—no breakdown was given. The DDTP staff provided current total estimates of \$143,900 (\$49,900 for the DDTPAC², \$55,100 for the CRSAC³, and \$38,900 for the EPAC⁴) in the 2002-2003 budget. TD reviewed the DDTP staff estimates. After comparing them with the 2001 actual expenses and recognizing that the committees will be fully staffed in 2002-2003, TD recommends the following estimates for committee expenses in the 2002-2003 budget: \$52,400 for the DDTPAC, \$61,000 for the CRSAC, and \$48,400 for the EPAC—totaling \$161,800.

² Deaf and Disabled Telephone Program Administrative Committee

³ California Relay Service Advisory Committee

⁴ Equipment Program Advisory Committee

Office Administration

The DDTPAC requested \$2.54 million for office administration in the 2002-2003 budget. The DDTP staff provided a current estimate of \$1.88 million in the 2002-2003 budget for office administration, which includes \$563,800 in shared expenses. The increases are due to increases in the office lease rate and insurance rates. The Commission approved a budget of \$1.868 million (annualized) for the January through June 2002 budget. After comparing the DDTP estimates with the 2001 actual expenses of \$1.622 million, TD recommends \$1,886,100 for office administration in the 2002-2003 budget, which includes \$565,200 in shared expenses. An estimate of \$24,000 has been included in this category to cover the expense of a bank lock box.

Bureau of State Audits Report and Recommendations

As requested by the Joint Legislative Audit Committee, the Bureau of State Audits (Bureau) conducted an audit of the DDTP. The Bureau made the following recommendations to the DDTP to improve the collection of surcharges:

- Work with the CPUC to develop and maintain a reliable record of carriers that are providing services subject to the surcharge.
- Track the payment history of each carrier and monitor these records to identify delinquent carriers.
- Regularly notify delinquent carriers and the CPUC of all past due amounts.

Since the funds for the DEAF Trust must be transferred to the state treasury on July 1, 2003, TD recommends beginning the transition early by transferring the responsibility of reviewing surcharge remittances from the DDTP staff to the Commission staff. This would address the second and third recommendation and nullify the first one. TD also recommends that DDTP staff work with TD staff to provide relevant electronic data and associated physical documents.

The Bureau made the following recommendations to the DDTP to ensure the prudent use of program funds:

- Adhere to its newly revised internal control procedures that define allowable expenses
- Follow its new procedure to report parking fringe benefits as taxable income on employees' W-2 forms.
- Develop additional procedures to prevent personal use of cars among employees with DDTP-leased vehicles.
- Ensure that all future contracts have established performance standards as well as provisions to collect damages from non-performing contractors.

TD recommends that the DDTP report on how it has complied, or will comply, with the Bureau's recommendations to ensure the prudent use of program funds. The DDTP should provide the report to the Director of TD no later than September 30, 2002.

Although the Bureau made no recommendations, it did address a concern regarding DDTP employee salaries and benefits. In its final report, the Bureau stated that the "salaries and benefits of DDTP employees appear generous when compared with those of similar state employees." The Bureau noted that, "although DDTP employees are not state employees, their salaries and benefits are paid with public funds". The Bureau found that in a salary comparison of 12 DDTP employees, "the maximum step of salary ranges of these employees are, on average, 24 percent higher than those of comparable state positions, with one salary being 48 percent above a similar classification in civil service." In addition, the Bureau found that DDTP employee benefits are "significantly better than those of state employees." To address this issue, TD recommends freezing and capping all DDTP salaries and benefits at the June 30, 2002 level until further review of this issue.

NOTICE/PROTEST

On September 6, 2001, the DDTPAC submitted its proposed 2002-2003 budget to the Commission Executive Director and also sent copies of the proposed budget to all parties of record in I.87-11-031. The submission was publicly noticed on the Commission's July 15, 2002 Daily Calendar.

NOTICE OF AVAILABILITY OF CONFORMED RESOLUTION

In the past, the Commission has served hard copies of resolutions on carriers and parties on the appropriate service list(s). To be consistent with the Commission's commitment to utilize the internet for distributing Commission orders and information, TD has sent a letter of notice to the parties of record in I.87-11-031 informing them of the availability of the original draft resolution, as well as the conformed resolutions, on the Commission's web site, www.cpuc.ca.gov. In addition, a hard copy of the conformed copy of this resolution will be provided to all parties of record in I.87-11-031 and to members of the DDTPAC.

COMMENTS

In accordance with PU Code Section 311(g), TD mailed a copy of the original draft resolution, along with the DDTPAC September 2001 budget submission, on July 15, 2002 to the parties of record in I.87-11-031. Comments received on a timely basis will be addressed by TD in this resolution.

FINDINGS

1. In a September 6, 2001 budget submission, the Deaf and Disabled Telecommunications Program Administrative Committee proposed expenses of \$71,451,252 for the 2002-2003 budget.
2. In March 2002, staff members of the Deaf & Disabled Telecommunications Program provided a revised budget estimate of \$57,705,240 based on current statistics and information.
3. A budget of \$56,499,100 for 2002-2003 is reasonable for the Deaf and Disabled Telecommunications Program and should be adopted.
4. A surcharge rate of 0.29%, effective October 1, 2002, is reasonable and should be adopted and remain in effect until further revised by the Commission.
5. It is reasonable to require certified telecommunications carriers required to file tariffs with the Commission to file advice letters, no later than September 15, 2002, revising their tariff sheets to reflect the change in the DDTP surcharge rate.
6. It is reasonable to require the Deaf & Disabled Telecommunications Program to abolish any approved positions not filled by December 31, 2002, unless the Deaf & Disabled Telecommunications Program can provide justification for the vacancy.
7. It is reasonable to require the Deaf & Disabled Telecommunications Program to provide a report on its marketing efforts and the results of those efforts in subsequent budget submissions.
8. The Deaf & Disabled Telecommunications Program request to hire a CRS Contract Administrator and a Marketing Projects Coordinator is reasonable and should be approved.
9. It is reasonable to require the Deaf & Disabled Telecommunications Program to commence the competitive bidding process, in accordance with California State Contracting Guidelines, in order to purchase the necessary hardware and software for an updated California Telephone Access Program database program.
10. It is reasonable to require the Deaf & Disabled Telecommunications Program to consult with the Commission's Legal Division on any legal inquiries prior to using funds to consult with external legal counsel.
11. An estimate of \$500,000 for a compliance and financial audit of the Deaf & Disabled Telecommunications Program as required by Public Utilities Code Section 274 is

reasonable. It is reasonable to require that these funds not be reallocated to other budget items in the event the audits are not performed.

12. The Bureau of State Audits conducted an audit on the Deaf & Disabled Telecommunications Program resulting in several recommendations to the Deaf & Disabled Telecommunications Program.
13. It is reasonable to transfer the responsibility for the review of the Deaf & Disabled Telecommunications Program surcharge remittances from the Deaf & Disabled Telecommunications Program staff to the Telecommunications Division staff. In addition, it is reasonable to require that the staff of the Deaf & Disabled Telecommunications Program work with the staff of the Telecommunications Division staff to provide relevant electronic data and physical documents.
14. It is reasonable to require the Deaf & Disabled Telecommunications Program to provide a report to the Director of the Division, no later than September 30, 2002, on how the program has responded to the Bureau of State Audits recommendations on ensuring the prudent use of program funds.
15. It is reasonable to freeze and cap the salaries and benefits of the Deaf & Disabled Telecommunications Program staff at the June 30, 2002 level until further notice.
16. The Telecommunications Division budget estimates as set forth in Column D of Appendix A of this resolution are reasonable and should be adopted.

THEREFORE, IT IS ORDERED that:

1. The 2002-2003 budget for the Deaf and Disabled Telecommunications Program shall be \$56,499,100, as set forth in Column D of Appendix A of this resolution.
2. The current surcharge rate of 0.48% shall be decreased to 0.29%, effective October 1, 2002 and remain in effect until further revised by the Commission.
3. All certificated telecommunications carriers in California shall apply for this surcharge rate on their end-users' bills rendered on or after October 1, 2002 for intrastate services. All certificated telecommunications carriers required to file tariffs with the Commission shall file advice letters, in accordance with the provisions of General Order 96-A on or before September 15, 2002 revising the California Relay Service surcharge consistent with this resolution.

4. All Local Exchange companies and Interexchange Companies are granted an exemption from the noticing requirements of General Order 96-A, Section III, G.1 (Resolution T-15558 dated June 8, 1994) for this resolution only.
5. The Deaf & Disabled Telecommunications Program shall commence the competitive bidding process, in accordance with California State Contracting Guidelines, to purchase the necessary hardware and software for an updated California Telephone Access Program database.
6. The Deaf & Disabled Telecommunications Program shall hire all previously approved staff no later than December 31, 2002. Vacant positions, as of January 1, 2003 shall be abolished unless the Deaf & Disabled Telecommunications Program can provide justification for the vacancy.
7. In subsequent budget submissions, the Deaf & Disabled Telecommunications Program shall include a report on its marketing efforts and results.
8. The Deaf & Disabled Telecommunications Program shall consult with the Commission's Legal Division regarding any legal inquiries prior to using funds to consult with external legal counsel.
9. The Telecommunications Division shall assume the responsibility for tracking and monitoring Deaf and Disabled Telecommunications Program surcharge remittances. The staff of the Deaf and Disabled Telecommunications Program shall work with the staff of the Telecommunications Division to provide requested electronic data and associated physical documentation.
10. The Deaf & Disabled Telecommunications Program shall provide a report to the Director of the Telecommunications Division, no later than September 30, 2002, on how the program has responded to the Bureau of State Audits recommendations on ensuring the prudent use of program funds.
11. All salaries and benefits of the staff of the Deaf & Disabled Telecommunications Program shall be frozen and capped at the June 30, 2002 level until further order of the Commission.
12. The Telecommunications Division recommendations for the 2002-2003 budget are adopted.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on August 22, 2002. The following Commissioners adopted it:

WESLEY M. FRANKLIN
Executive Director

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APPENDIX A: VIEW 1: View Before Allocations and Apportionments

**Budget for Services Provided
to the Deaf and Disabled Telecommunications Program
2002-2003**

| | adopted 2002-2003 budget | ddtp requested 2002-2003 budget |
|------------------------------------|-----------------------------------------|------------------------------------------------|
| <hr/> | | |
| RECEIPTS | | |
| Surcharges | 61,116,667 | 95,352,433 |
| Toll Revenues | 0 | 0 |
| Investment Income | 0 | 0 |
| Miscellaneous Income | 0 | 0 |
| CRS Damage Assessments | 0 | 0 |
| Interest Income | 0 | 0 |
| Total Receipts | 61,116,667 | 95,352,433 |
| DISBURSEMENTS | | |
| S.B. 597 | 2,042,800 | 3,998,003 |
| S.B. 60 | 7,434,600 | 9,934,787 |
| S.B. 244 | 28,433,300 | 29,206,296 |
| Total Program Disbursements | 37,910,700 | 43,139,086 |
| | | |
| Equipment Program | 2,178,300 | 2,259,406 |
| Field Operations | 2,840,600 | 3,643,686 |
| Customer Contact | 6,954,200 | 11,328,274 |
| CRS | 499,700 | 211,475 |
| Marketing & Outreach | 3,112,100 | 7,146,199 |
| | | |
| Administration | 2,438,300 | 3,068,226 |
| Shared Expenses | 565,200 | 654,900 |
| Total Disbursements | 56,499,100 | 71,451,252 |

APPENDIX A: VIEW 2(a): View After Apportionments

**Budget for Services Provided
to the Deaf and Disabled Telecommunications Program
2002-2003**

| | adopted 2002-2003 budget | ddtp requested 2002-2003 budget |
|------------------------------------|-----------------------------------------|------------------------------------------------|
| <hr/> | | |
| RECEIPTS | | |
| Surcharges | 61,116,667 | 95,352,433 |
| Toll Revenues | 0 | 0 |
| Investment Income | 0 | 0 |
| Miscellaneous Income | 0 | 0 |
| CRS Damage Assessments | 0 | 0 |
| Interest Income | 0 | 0 |
| Total Receipts | 61,116,667 | 95,352,433 |
| DISBURSEMENTS | | |
| S.B. 597 | 2,042,800 | 3,998,003 |
| S.B. 60 | 7,434,600 | 9,934,787 |
| S.B. 244 | 28,433,300 | 29,206,296 |
| Total Program Disbursements | 37,910,700 | 43,139,086 |
| | | |
| Equipment Program | 2,236,516 | 2,326,861 |
| Field Operations | 2,898,816 | 3,711,141 |
| Customer Contact | 7,012,416 | 11,395,729 |
| CRS | 538,699 | 256,663 |
| Marketing & Outreach | 3,170,316 | 7,213,654 |
| Administration | 2,731,639 | 3,408,119 |
| Total Disbursements | 56,499,100 | 71,451,252 |

APPENDIX A: VIEW 2(b): View After Apportionments and Allocations

**Budget for Services Provided
to the Deaf and Disabled Telecommunications Program
2002-2003**

| | adopted 2002-2003 budget | ddtp requested 2002-2003 budget |
|------------------------------------|-----------------------------------------|------------------------------------------------|
| RECEIPTS | | |
| Surcharges | 61,116,667 | 95,352,433 |
| Toll Revenues | 0 | 0 |
| Investment Income | 0 | 0 |
| Miscellaneous Income | 0 | 0 |
| CRS Damage Assessments | 0 | 0 |
| Interest Income | 0 | 0 |
| Total Receipts | 61,116,667 | 95,352,433 |
| DISBURSEMENTS | | |
| S.B. 597 | 3,891,638 | 7,184,107 |
| S.B. 60 | 19,794,214 | 28,871,288 |
| S.B. 244 | 30,081,609 | 31,987,738 |
| Total Program Disbursements | 53,767,461 | 68,043,133 |
| Equipment Program | 0 | 0 |
| Field Operations | 0 | 0 |
| Customer Contact | 0 | 0 |
| CRS | 0 | 0 |
| Marketing & Outreach | 0 | 0 |
| Administration | 2,731,639 | 3,408,119 |
| Total Disbursements | 56,499,100 | 71,451,252 |

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